Digital Disconnect in Customer Engagement

Why do you think your digital customers are the most profitable?

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Strategy | Consulting | Digital | Technology | Operations

Companies are increasingly investing in digital front-office capabilities because they believe digital will ultimately pave the way to profitability. That assumption is not entirely accurate. As described in *Service is the New Sales*, profitable growth in today's always-on world is dependent on providing experiences that keep customers engaged. Those experiences aren't confined to the digital arena. Neither is profitability.

The most profitable customers use multiple channels—even within a single interaction—to get the outcomes they want. To catch and keep them, companies need to offer digital and traditional interactions that deliver integrated, highly satisfying experiences.

The fatal flaw in digital investment strategies

Traditional companies continue to invest significantly in digital capabilities and channels to lower their costs and also acquire, retain and expand valuable customer relationships. Their digital interest is based on two core beliefs:

1. **Their customers (especially Millennials) want more digital experiences.**

2. **By building capabilities aimed at meeting the needs of more digitally sophisticated customers, they will decrease service costs and increase loyalty.**

Both assumptions are only partially true. Companies that rely on them to define their investment strategies fail to address the complexity and nuances of customer engagement. For example, Accenture Strategy research has shown that there are many situations in which customers—even those that are typically more prone to use digital channels—prefer to engage through traditional means. Seventy-three percent of consumers will choose a human over a digital capability when seeking advice or looking to resolve a service issue or complaint. And more than half (57 percent) highly value physical stores as a channel for tailored services they just can't get online.[1]

Also, while it is true that digital capabilities allow companies to deliver services in a more cost-effective manner, this strategy doesn't appeal to the most profitable customer segments. That title falls to customers who regularly use multiple channels to interact with their providers.

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Our research confirms that this higher rate of profitability among multi-channel customers holds across industries and geographies. In the global retail arena, for example, customers that engage with companies through a variety of channels drive three times the volume of sales and more than twice the margin of store-only customers.[2] Among UK banks, customers that interact via multiple channels buy one and half times more products than digital-only customers. And because the extra products they buy tend to be of higher value, those purchases can significantly impact margin growth.[3] Additionally, customers that engage with their providers via multiple channels are 15 percent more likely than digital-only customers to serve as advocates for those providers. The most digitally sophisticated, by contrast, are more likely to switch providers for others that can provide better experiences or lower prices.[4]

These findings do not suggest that investing in digital capabilities is a mistake.

On the contrary, they support the notion that digital is a vital component of any company's go-to-market strategy. But it is just one component. When companies over-invest in digital front-office capabilities or, conversely **under**-invest in traditional capabilities, they fail to deliver the optimal channel mix that customers demand and deserve.

Digital isn't disruptive. Human beings are.

Customers aren't as predictable as we'd like to think. This is certainly evident in the way they choose their interaction channels. Nearly half of consumers (48 percent) are comfortable crossing back and forth between digital and physical interactions with companies, even within a single interaction. Customers choose the form of engagement they believe will best solve a particular problem, satisfy a goal or simply provide the best experience. They base their channel decision at any given time on three factors:

Their intention. Are they browsing for product information? Seeking advice or service? Ready to make a purchase?

Their circumstance. What channel options are available to them at the time they want to interact? How much time do they have to resolve their problem or search for information? Do they want to communicate while "on the go?" Or are they looking to interact from their home, where more channel options are available to them?

Their past experiences. Have they been pleased with a provider's online chat feature in the past—or dissatisfied with long call center wait times? Are they simply more comfortable with in-store, personalized service?

Complicating matters is the fact that none of these variables is stable. A consumer's intention, circumstance and experience can change quickly—even within a single interaction. That fluidity can pose big problems for companies unable to keep up. Our research found that 73 percent of consumers become frustrated when providers fail to offer convenient interaction methods. And 59 percent are frustrated when they can't access the information they want in their channel of choice.[6]

When consumers are annoyed, they're one step (or one click) away from defecting. Recent Accenture Strategy research revealed that 64 percent of consumers switched at least one of their providers due to poor service experiences in 2015. Once providers lose a customer, six times out of ten they won't get them back. They will need to replace those defected customers with new ones. That's a very expensive proposition. The profit potential associated with churn reduction is, therefore, very real.

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Seize the high ground

Companies that seize the high ground of customer profitability do so by delivering multiple channel options that not only allow customers to achieve the outcomes they need, but also make it easy for customers to switch from one channel to another. Companies currently over-investing in digital—or any other channel, for that matter—need to course correct. But many will first have to change the way they think about serving their customers. Transitioning to a more balanced approach will require traditional companies to apply new insights, new investment strategies and new organizational capabilities.

Apply new insights

In today's always-on sales environment, companies have access to more consumer data than ever before. Yet, many companies simply aren't able to analyze that data to make more informed investment decisions. Instead, they rely on incomplete information about their customers and do what they see so many of their peers doing: over-invest in digital capabilities.

By observing customer behaviors within and across channels and applying new analytical capabilities to examine the data trail they leave behind, companies will generate entirely new insights about who their customers are, the types of interactions these customers want to have, and the economic impact to the company of not meeting their needs. That understanding is the foundation upon which companies can create an optimal channel mix and deliver the experiences that customers notice and value.

Refocus investment strategies

Companies need to shift their focus from developing channel capabilities to delivering the outcomes that keep customers engaged. Armed with insights about their customers' behaviors before, during and after an interaction, they will be better positioned to not only offer seamless, cross-channel experiences that drive profitable growth, but also eliminate the toxic experiences that drive customers away. Addressing negative experiences head-on can have a significant effect on profitability. Accenture Strategy research found that 81 percent of consumers who switched providers would have stayed with their original provider if the company had taken steps to address their dissatisfaction.[9]

Because it is difficult—and expensive—for companies to address all issues that might eventually frustrate customers, they need to zero in on the experiences (or, more likely, the series of experiences) that have the greatest potential downside. This means they need to develop skills and analytics to identify, isolate and remediate the root causes of a prioritized set of negative incidents.

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Build outcome-focused organizational capabilities

Companies that want to focus on driving better customer outcomes need to start by looking at their current organizational structures. Those that are organized in functional silos may not be able to align the company around the cross-functional actions needed to deliver these improved outcomes. Instead, companies must determine how to best organize around the customer. This may involve: establishing a centralized governance model, which enables companies to more effectively drive and promote the innovation that an outcome focus requires; or developing a more enduring cross-functional organization that can drive better end-to-end outcomes.

Finally, companies will need to develop new skills in areas as diverse as analytics, channel integration, experience management and problem resolution. Hiring practices, skill-development models and incentive programs will need to change accordingly.

Curbing your digital enthusiasm

Companies will no doubt continue investing in digital capabilities to offer more convenient, lower-cost services to their customers. And that is as it should be. Digital technologies have been—and will continue to be—game-changers for companies looking to engage with their customers in meaningful ways.

However, companies need to recognize that digital capabilities are just one facet of a great customer experience. Profitability is not bound by a particular channel. It resides in the digital/physical blur. Successful companies own this "high ground" by optimizing their investments across channels, while simultaneously delivering the outcomes that their customers demand.

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Notes

1 Accenture Strategy 2015 Global Consumer Pulse Research
2 Accenture research
3 Ibid
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6 Ibid
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8 Ibid
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